

VILLAGE OF BYRON
Shiawassee County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended February 29, 2008

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Village of Byron	County Shiawassee
Fiscal Year End February 29, 2008	Opinion Date March 25, 2008	Date Audit Report Submitted to State March 26, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

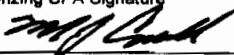
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.		Telephone Number 989-894-1040	
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
		Zip 48707	
Authorizing CPA Signature 		Printed Name Mark J. Campbell	License Number 1101007803

VILLAGE OF BYRON
Shiawassee County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

March 25, 2008

To the Village Council
Village of Byron
Shiawassee County, Michigan

We have audited the accompanying financial statements of the governmental activities, business type activities and each major fund of Village of Byron, Shiawassee County, Michigan as of and for the year ended February 29, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Village of Byron's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities and each major fund of the Village of Byron, Shiawassee County, Michigan as of February 29, 2008, and the respective changes in financial position and cash flows where applicable, of these activities and funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Village's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., PC
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

VILLAGE OF BYRON
Shiawassee County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended February 29, 2008

The Management's Discussion and Analysis report of the Village of Byron covers the Village's financial performance during the year ended February 29, 2008.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at February 29, 2008, totaled \$553,830.41 for governmental activities and \$1,174,402.91 for business activities. Overall total capital assets remained approximately the same.

Overall revenues were \$497,767.72 (\$276,582.83 from governmental activities and \$221,184.89 from business-type activities). Governmental activities had a \$18,763.25 increase in net assets. Business-type activities had an increase in net assets of \$84,772.28.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Village and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental and business-type activities.

The remaining statements are fund financial statements, which focus on individual parts of the Village in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Village as a whole using accounting methods used by private companies. The statement of net assets includes all of the Village's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Village are reported as governmental activities and business-type activities. These include the General Fund, the Major Street Fund, the Local Street Fund, the Cemetery Perpetual Care Fund, the Water Fund and the Sewer Fund.

VILLAGE OF BYRON
Shiawassee County, Michigan
CONDENSED FINANCIAL INFORMATION
February 29, 2008

	Governmental Activities 2007	Governmental Activities 2008	Business-type Activities 2007	Business-type Activities 2008	Total 2007	Total 2008
Current Assets	488 257	510 837	939 918	943 483	1 428 175	1 454 320
Restricted Assets	-	-	44 135	53 200	44 135	53 200
Capital Assets	59 201	57 091	1 020 073	992 720	1 079 274	1 049 811
Total Assets	547 458	567 928	2 004 126	1 989 403	2 551 584	2 557 331
Current Liabilities	562	761	65 223	-	65 785	761
Non-current Liabilities	11 829	13 337	849 272	815 000	861 101	828 337
Total Liabilities	12 391	14 098	914 495	815 000	926 886	829 098
Net Assets:						
Invested in Capital Assets	59 201	57 091	233 840	215 592	293 041	272 683
Restricted	59 746	65 429	44 135	53 200	103 881	118 629
Unrestricted	416 120	431 310	811 656	905 611	1 227 776	1 336 921
Total Net Assets	535 067	553 830	1 089 631	1 174 403	1 624 698	1 728 233
	Governmental Activities 2007	Governmental Activities 2008	Business-type Activities 2007	Business-type Activities 2008	Total 2007	Total 2008
Program Revenues:						
Fees and Charges for services	47 635	37 106	115 174	116 308	162 809	153 414
Operating Grants and Contributions	15 427	-	-	-	15 427	-
General Revenues:						
Property Taxes	97 950	105 623	-	-	97 950	105 623
State Revenue Sharing	112 384	110 823	-	-	112 384	110 823
Charges for services – debt	-	-	45 804	61 648	45 804	61 648
Interest	21 011	22 817	42 426	43 228	63 437	66 045
Miscellaneous	1 821	214	-	-	1 821	214
Total Revenues	296 228	276 583	203 404	221 184	499 632	497 767
Program Expenses:						
General Government and Administration	68 651	78 439	-	-	68 651	78 439
Public Safety	56 950	67 112	-	-	56 950	67 112
Public Works	100 679	100 827	-	-	100 679	100 827
Water and sewer	-	-	117 099	136 412	117 099	136 412
Other	9 515	11 442	-	-	9 515	11 442
Total Expenses	235 795	257 820	117 099	136 412	352 894	394 232
Increase in Net Assets	60 433	18 763	86 305	84 772	146 738	103 535
Net Assets, March 1	474 634	535 067	1 003 326	1 089 631	1 477 960	1 624 698
Net Assets, February 29	535 067	553 830	1 089 631	1 174 403	1 624 698	1 728 233

VILLAGE OF BYRON
Shiawassee County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended February 29, 2008

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Village's funds, focusing on significant (major) funds not the Village as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Village Council also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Village has the following types of funds:

Governmental Funds: Some of the Village's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Village's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Village's governmental funds include the General Fund, the Major Street Fund, the Local Street Fund, and the Cemetery Perpetual Care Fund.

Business Type Funds: The Village has a Water Fund and a Sewer Fund which includes the activity of providing water and sewer to Village residents.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

Our cash position in both the governmental and business-type activities remains strong.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

The General Fund had a decrease in fund balance of \$33,545.38. The Major Street Fund had an increase in fund balance of \$21,867.16. The Local Street Fund had an increase in fund balance of \$28,375.45. The Cemetery Perpetual Care Fund had an increase in fund balance of \$5,683.42.

The Water Fund had an increase in net assets of \$39,058.17 and the Sewer Fund had an increase in net assets of \$45,714.11.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Village's governmental activities invested \$6,479.00 in capital assets.
The Village's business-type activities invested \$12,908.16 in capital assets.
The Village's governmental activities increased principal on long-term debt by \$1,507.40.
The Village's business-type activities paid principal on long-term debt of \$35,000.00.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income.

CONTACTING THE VILLAGE'S MANAGEMENT

This financial report is intended to provide our taxpayers, creditors, investors and customers with a general overview of the Village's finances and to demonstrate the Village's accountability for the revenues it receives. If you have any questions concerning this report please contact the Village Clerk or Village Treasurer at 810-266-4386 or 810-266-4610.

VILLAGE OF BYRON
Shiawassee County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
February 29, 2008

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS:			
CURRENT ASSETS:			
Cash in bank	27 659 41	-	27 659 41
Investments	483 177 48	923 316 65	1 406 494 13
Accounts receivable	-	20 166 54	20 166 54
Total Current Assets	<u>510 836 89</u>	<u>943 483 19</u>	<u>1 454 320 08</u>
RESTRICTED ASSETS:			
Investments	-	46 797 74	46 797 74
Accounts receivable	-	6 401 63	6 401 63
Total Restricted Assets	<u>-</u>	<u>53 199 37</u>	<u>53 199 37</u>
NON-CURRENT ASSETS:			
Capital Assets	207 870 00	1 838 699 56	2 046 569 56
Less: Accumulated Depreciation	<u>(150 779 00)</u>	<u>(845 979 21)</u>	<u>(996 758 21)</u>
Total Non-current Assets	<u>57 091 00</u>	<u>992 720 35</u>	<u>1 049 811 35</u>
TOTAL ASSETS	<u>567 927 89</u>	<u>1 989 402 91</u>	<u>2 557 330 80</u>
LIABILITIES AND NET ASSETS:			
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts payable	<u>760 72</u>	-	<u>760 72</u>
Total Current Liabilities	<u>760 72</u>	-	<u>760 72</u>
NON-CURRENT LIABILITIES:			
Accrued compensated absences	13 336 76	-	13 336 76
Contract payable	-	815 000 00	815 000 00
Total Non-current Liabilities	<u>13 336 76</u>	<u>815 000 00</u>	<u>828 336 76</u>
Total Liabilities	<u>14 097 48</u>	<u>815 000 00</u>	<u>829 097 48</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	57 091 00	215 591 50	272 682 50
Restricted	65 429 04	53 199 37	118 628 41
Unrestricted	<u>431 310 37</u>	<u>905 612 04</u>	<u>1 336 922 41</u>
Total Net Assets	<u>553 830 41</u>	<u>1 174 402 91</u>	<u>1 728 233 32</u>
TOTAL LIABILITIES AND NET ASSETS	<u>567 927 89</u>	<u>1 989 402 91</u>	<u>2 557 330 80</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BYRON
Shiawassee County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended February 29, 2008

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	4 820 00	-	(4 820 00)
General government	73 618 81	27 757 87	(45 860 94)
Public safety	67 111 63	9 348 31	(57 763 32)
Public works	100 826 94	-	(100 826 94)
Other	11 442 20	-	(11 442 20)
Total Governmental Activities	<u>257 819 58</u>	<u>37 106 18</u>	<u>(220 713 40)</u>
Business Type Activities:			
Water and sewer	136 412 61	116 308 35	-
Total Business Type Activities	<u>136 412 61</u>	<u>116 308 35</u>	<u>-</u>
Total Government	<u>394 232 19</u>	<u>153 414 53</u>	<u>(220 713 40)</u>
General Revenues:			
Property taxes			105 623 45
State revenue sharing			110 822 56
Charges for services – debt			-
Interest			22 816 50
Miscellaneous			<u>214 14</u>
Total General Revenues			<u>239 476 65</u>
Change in net assets			18 763 25
Net assets, beginning of year			<u>535 067 16</u>
Net Assets, End of Year			<u>553 830 41</u>

The accompanying notes are an integral part of these financial statements.

<u>Business Type Activities</u>	<u>Total</u>
<u>Net (Expense) Revenue and Changes in Net Assets</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
-	(4 820 00)
-	(45 860 94)
-	(57 763 32)
-	(100 826 94)
-	(11 442 20)
-	(220 713 40)
(20 104 26)	(20 104 26)
(20 104 26)	(20 104 26)
(20 104 26)	(240 817 66)
-	105 623 45
-	110 822 56
61 648 47	61 648 47
43 228 07	66 044 57
-	214 14
104 876 54	344 353 19
84 772 28	103 535 53
1 089 630 63	1 624 697 79
<u>1 174 402 91</u>	<u>1 728 233 32</u>

VILLAGE OF BYRON
Shiawassee County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
February 29, 2008

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Cemetery Perpetual Care</u>
<u>Assets</u>				
Cash in bank	27 659 41	-	-	-
Investments	<u>117 097 59</u>	<u>107 457 93</u>	<u>193 192 92</u>	<u>65 429 04</u>
Total Assets	<u>144 757 00</u>	<u>107 457 93</u>	<u>193 192 92</u>	<u>65 429 04</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Accounts payable	<u>760 72</u>	-	-	-
Total liabilities	<u>760 72</u>	-	-	-
Fund equity:				
Fund balances:				
Restricted	-	-	-	65 429 04
Unrestricted:				
Undesignated	<u>143 996 28</u>	<u>107 457 93</u>	<u>193 192 92</u>	-
Total fund equity	<u>143 996 28</u>	<u>107 457 93</u>	<u>193 192 92</u>	<u>65 429 04</u>
Total Liabilities and Fund Equity	<u>144 757 00</u>	<u>107 457 93</u>	<u>193 192 92</u>	<u>65 429 04</u>

The accompanying notes are an integral part of these financial statements.

Total

27 659 41
483 177 48

510 836 89

760 72

760 72

65 429 04

444 647 13

510 076 17

510 836 89

VILLAGE OF BYRON
Shiawassee County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
February 29, 2008

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	510 076 17
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	207 870 00
Accumulated depreciation	(150 779 00)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Accrued compensated absences	<u>(13 336 76)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>553 830 41</u></u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BYRON
Shiawassee County, Michigan

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS**
Year ended February 29, 2008

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Cemetery Perpetual Care</u>
Revenues:				
Property taxes	84 164 06	-	21 459 39	-
Licenses and permits	4 465 96	-	-	-
State revenue sharing	62 121 40	36 793 28	11 907 88	-
Charges for services:				
Cemetery lots	8 400 00	-	-	2 800 00
Grave openings	8 330 00	-	-	-
Tax collection	1 227 87	-	-	-
Other	7 000 00	-	-	-
Fines and forfeits:				
Police fines	4 882 35	-	-	-
Interest	7 243 56	4 473 95	8 215 57	2 883 42
Miscellaneous	<u>214 14</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>188 049 34</u>	<u>41 267 23</u>	<u>41 582 84</u>	<u>5 683 42</u>
Expenditures:				
Legislative:				
Village Council	4 820 00	-	-	-
General government:				
Elections	1 052 15	-	-	-
Clerk	3 166 56	-	-	-
Treasurer	1 366 99	-	-	-
Village hall and grounds	52 786 47	-	-	-
Cemetery	14 782 64	-	-	-
Public safety:				
Police protection	54 872 73	-	-	-
Zoning	9 779 90	-	-	-
Public works:				
Department of Public Works	30 500 54	-	-	-
Highways and streets	-	19 400 07	13 207 39	-
Street lighting	9 117 38	-	-	-
Sanitation	21 428 16	-	-	-
Other:				
Employee fringe benefits	11 442 20	-	-	-
Capital outlay	<u>6 479 00</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>221 594 72</u>	<u>19 400 07</u>	<u>13 207 39</u>	<u>-</u>
Excess of revenues over expenditures	(33 545 38)	21 867 16	28 375 45	5 683 42
Fund balances, March 1	<u>177 541 66</u>	<u>85 590 77</u>	<u>164 817 47</u>	<u>59 745 62</u>
Fund Balances, February 29	<u>143 996 28</u>	<u>107 457 93</u>	<u>193 192 92</u>	<u>65 429 04</u>

The accompanying notes are an integral part of these financial statements.

Total

105 623 45
4 465 96
110 822 56

11 200 00
8 330 00
1 227 87
7 000 00

4 882 35
22 816 50
214 14

276 582 83

4 820 00

1 052 15
3 166 56
1 366 99
52 786 47
14 782 64

54 872 73
9 779 90

30 500 54
32 607 46
9 117 38
21 428 16

11 442 20
6 479 00

254 202 18

22 380 65

487 695 52

510 076 17

VILLAGE OF BYRON
Shiawassee County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended February 29, 2008

NET CHANGES IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 22 380 65

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(8 589 00)
Capital Outlay	6 479 00

Proceeds from debt principal is a revenue in the governmental funds, the
proceeds do not have an effect in the statement of activities but do
increase the debt balance in the statement of net assets.

Proceeds from increase in long-term debt	<u>(1 507 40)</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>18 763 25</u></u>
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The accompanying notes are an integral part of these financial statements.

VILLAGE OF BYRON
Shiawassee County, Michigan

STATEMENT OF NET ASSETS – BUSINESS-TYPE FUNDS
February 29, 2008

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
ASSETS:			
CURRENT ASSETS:			
Investments	770 108 34	153 208 31	923 316 65
Accounts receivable	<u>12 022 52</u>	<u>8 144 02</u>	<u>20 166 54</u>
Total Current Assets	<u>782 130 86</u>	<u>161 352 33</u>	<u>943 483 19</u>
RESTRICTED ASSETS:			
Investments	-	46 797 74	46 797 74
Accounts receivable	<u>-</u>	<u>6 401 63</u>	<u>6 401 63</u>
Total Restricted Assets	<u>-</u>	<u>53 199 37</u>	<u>53 199 37</u>
NON-CURRENT ASSETS:			
Capital Assets	809 628 15	1 029 071 41	1 838 699 56
Less: Accumulated Depreciation	<u>(594 036 65)</u>	<u>(251 942 56)</u>	<u>(845 979 21)</u>
Total Non-current Assets	<u>215 591 50</u>	<u>777 128 85</u>	<u>992 720 35</u>
TOTAL ASSETS	<u>997 722 36</u>	<u>991 680 55</u>	<u>1 989 402 91</u>
LIABILITIES AND NET ASSETS:			
LIABILITIES:			
CURRENT LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
NON-CURRENT LIABILITIES:			
Contract payable	<u>-</u>	<u>815 000 00</u>	<u>815 000 00</u>
Total Liabilities	<u>-</u>	<u>815 000 00</u>	<u>815 000 00</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	215 591 50	-	215 591 50
Restricted	-	53 199 37	53 199 37
Unrestricted	<u>782 130 86</u>	<u>123 481 18</u>	<u>905 612 04</u>
Total Net Assets	<u>997 722 36</u>	<u>176 680 55</u>	<u>1 174 402 91</u>
TOTAL LIABILITIES AND NET ASSETS	<u>997 722 36</u>	<u>991 680 55</u>	<u>1 989 402 91</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BYRON
Shiawassee County, Michigan

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS –
BUSINESS-TYPE FUNDS**
Year ended February 29, 2008

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
OPERATING REVENUES:			
Charges for Services:			
Service charges	69 830 33	44 798 02	114 628 35
Hydrant tax	-	1 680 00	1 680 00
	<u>69 830 33</u>	<u>46 478 02</u>	<u>116 308 35</u>
Total Operating Revenues			
OPERATING EXPENSES:			
Salaries and wages	28 153 09	17 662 68	45 815 77
Administration fees	3 000 00	1 000 00	4 000 00
Operating supplies	1 031 36	4 766 27	5 797 63
Professional services	1 750 00	3 295 76	5 045 76
Insurance	2 500 00	2 000 00	4 500 00
Utilities	2 565 44	7 048 17	9 613 61
Repairs and maintenance	1 064 80	2 070 00	3 134 80
	<u>40 064 69</u>	<u>37 842 88</u>	<u>77 907 57</u>
Total Operating Expenses			
Operating Income (loss) before depreciation	29 765 64	8 635 14	38 400 78
Less: depreciation	(18 248 00)	(22 012 64)	(40 260 64)
	<u>11 517 64</u>	<u>(13 377 50)</u>	<u>(1 859 86)</u>
Operating income (loss)			
NON-OPERATING REVENUES (EXPENSES):			
Interest income	34 196 47	9 031 60	43 228 07
Charges for services – debt	-	61 648 47	61 648 47
Interest expense	-	(18 244 40)	(18 244 40)
	<u>34 196 47</u>	<u>52 435 67</u>	<u>86 632 14</u>
Total Non-operating Revenues (Expenses)			
Change in net assets	45 714 11	39 058 17	84 772 28
Net assets, beginning of year	952 008 25	137 622 38	1 089 630 63
Net Assets, End of Year	<u>997 722 36</u>	<u>176 680 55</u>	<u>1 174 402 91</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BYRON
Shiawassee County, Michigan

STATEMENT OF CASH FLOWS – BUSINESS-TYPE FUNDS
Year ended February 29, 2008

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	69 850 56	43 008 01	112 858 57
Cash payments to suppliers for goods and services	(11 911 60)	(20 180 20)	(32 091 80)
Cash payments to employees for services	(28 153 09)	(17 662 68)	(45 815 77)
Net cash provided (used) by operating activities	<u>29 785 87</u>	<u>5 165 13</u>	<u>34 951 00</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	-	(12 908 16)	(12 908 16)
Proceeds from contract payable	-	728 00	728 00
Principal paid on long-term debt	-	(35 000 00)	(35 000 00)
Interest expense on long-term debt	-	(18 244 40)	(18 244 40)
Charges for services – debt	-	61 648 47	61 648 47
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(3 776 09)</u>	<u>(3 776 09)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest income	34 196 47	9 031 60	43 228 07
Net cash provided (used) by investing activities	<u>34 196 47</u>	<u>9 031 60</u>	<u>43 228 07</u>
Net increase (decrease) in cash	63 982 34	10 420 64	74 402 98
Cash beginning of year	<u>706 126 00</u>	<u>189 585 41</u>	<u>895 711 41</u>
Cash End of Year	<u><u>770 108 34</u></u>	<u><u>200 006 05</u></u>	<u><u>970 114 39</u></u>
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Income (loss) from operations	11 517 64	(13 377 50)	(1 859 86)
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:			
Depreciation	18 248 00	22 012 64	40 260 64
(Increase) decrease in receivables	<u>20 23</u>	<u>(3 470 01)</u>	<u>(3 449 78)</u>
Net Cash Provided (Used) in Operating Activities	<u><u>29 785 87</u></u>	<u><u>5 165 13</u></u>	<u><u>34 951 00</u></u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BYRON
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
February 29, 2008

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Village of Byron, Shiawassee County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Village contain all the Village funds that are controlled by or dependent on the Village's executive or legislative branches.

The reporting entity is the Village of Byron. The Village is governed by an elected Village Council. As required by generally accepted accounting principles, these financial statements present the Village as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental and business type funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

VILLAGE OF BYRON
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS

February 29, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Permanent Fund

The Cemetery Perpetual Care Fund is used to account for assets that are legally restricted.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer enterprise funds are charges to customers for services. The enterprise funds also recognize as operating revenues the tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Village. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

VILLAGE OF BYRON
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
February 29, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on July 1 of the following year. These taxes are due on September 15. The Village 2007 tax roll millage rate was 10.2074 mills, and the taxable value was \$10,516,901.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Village as assets with an initial cost of more than \$2,500.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	50 years
Furniture and equipment	5-20 years

Compensated Absences (Vacation and Sick Leave)

The liability for vacation and sick leave benefits attributable to the Village are recorded as an expenditure and liability in the respective funds. Employees may accumulate an unlimited number of days of vacation leave and are paid for unused sick leave upon termination of employment.

Post-employment Benefits

The Village provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

VILLAGE OF BYRON
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
February 29, 2008

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Village Council for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Village Council.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Village Council.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Village Council during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Village to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Village Council has designated one bank for the deposit of Village funds. The investment policy adopted by the council in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Village's deposits and investments are in accordance with statutory authority.

VILLAGE OF BYRON
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
February 29, 2008

Note 3 – Deposits and Investments (continued)

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>30 000 00</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	27 659 41
Uninsured and Uncollateralized	<u>-</u>
Total Deposits	<u>27 659 41</u>

The Village's investments are categorized below to give an indication of the level of risk assumed by the Village. Risk category 1 includes those investments that meet any one of the following criteria: insured, registered, or held by the Village or its agent. Risk categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Village's name. Category 3 includes investments held by the counterparty or the counterparty's trust department (or agent) but not in the Village's name. The GASB Statement No. 3 risk disclosures for the Village's investments are categorized as follows:

<u>Investment Type</u>	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Carrying Amount</u>
Risk-Categorized: Operating Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Risk-Categorized Investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Non-risk-Categorized: Financial Institution Pooled Funds				<u>1 453 291 87</u>
Total Investments				<u>1 453 291 87</u>

The financial institution pooled funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes that the investments in the funds comply with the investment authority noted above.

VILLAGE OF BYRON
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
February 29, 2008

Note 4 – Capital Assets

Capital asset activity of the Village's Governmental and Business-Type activities for the current year was as follows:

	<u>Balance 3/1/07</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 2/29/08</u>
<u>Governmental Activities:</u>				
Buildings	24 024 00	-	-	24 024 00
Equipment	<u>177 367 00</u>	<u>6 479 00</u>	<u>-</u>	<u>183 846 00</u>
Total	201 391 00	6 479 00	-	207 870 00
Accumulated Depreciation	<u>(142 190 00)</u>	<u>(8 589 00)</u>	<u>-</u>	<u>(150 779 00)</u>
Net Governmental Capital Assets	<u>59 201 00</u>	<u>(2 110 00)</u>	<u>-</u>	<u>57 091 00</u>
<u>Business-Type Activities:</u>				
Water and Sewer Systems	1 825 791 40	12 908 16	-	1 838 699 56
Accumulated Depreciation	<u>(805 718 57)</u>	<u>(40 260 64)</u>	<u>-</u>	<u>(845 979 21)</u>
Net Business-Type Capital Assets	<u>1 020 072 83</u>	<u>(27 352 48)</u>	<u>-</u>	<u>992 720 35</u>

Note 5 – Deferred Compensation Plan

The Village does not have a deferred compensation plan.

Note 6 – Pension Plan

The Village does not have a pension plan.

Note 7 – Changes in Long-Term Debt

A summary of changes in long-term debt follows:

	<u>Balance 3/1/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 2/29/08</u>
Contract payable – water	849 272 00	728 00	35 000 00	815 000 00
Accumulated unpaid benefits	<u>11 829 36</u>	<u>1 507 40</u>	<u>-</u>	<u>13 336 76</u>
Total	<u>861 101 36</u>	<u>2 235 40</u>	<u>35 000 00</u>	<u>828 336 76</u>

VILLAGE OF BYRON
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
February 29, 2008

Note 8 – Contract Payable – Water

On September 22, 2005, the County of Shiawassee issued \$850,000.00 of its bonds to fund improvements to the water system of the Village of Byron. The Village has entered into a contract with the County whereby the Village has agreed to make payments to the County in amounts necessary to cover the principal and interest payments on the bonds as they come due. As of February 29, 2008, the principal balance outstanding was \$815,000.00 and that amount is recorded as a liability in the Water Fund. The principal repayment schedule for the bond principal is as follows:

<u>Due Date</u>	<u>Principal Amount</u>
10-1-2008	35 000 00
10-1-2009	35 000 00
10-1-2010	35 000 00
10-1-2011	40 000 00
10-1-2012	40 000 00
10-1-2013	40 000 00
10-1-2014	40 000 00
10-1-2015	40 000 00
10-1-2016	40 000 00
10-1-2017	45 000 00
10-1-2018	45 000 00
10-1-2019	45 000 00
10-1-2020	45 000 00
10-1-2021	45 000 00
10-1-2022	45 000 00
10-1-2023	50 000 00
10-1-2024	50 000 00
10-1-2025	50 000 00
10-1-2026	<u>50 000 00</u>
Total	<u>815 000 00</u>

Note 9 – Risk Management

The Village is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Village has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 10 – Building Permits

For the fiscal year ended February 29, 2008, the Village had building permit revenues of \$395.00.

VILLAGE OF BYRON
Shiawassee County, Michigan

NOTES TO FINANCIAL STATEMENTS
February 29, 2008

Note 11 – Segment Information for Enterprise Funds

The Village maintains two Enterprise Funds which provide sewer and water services. Segment information for the year ended February 29, 2008, is as follows:

	<u>Sewer Fund</u>	<u>Water Fund</u>
Operating revenues	69 830 33	46 478 02
Depreciation expense	18 248 00	22 012 64
Change in net assets	45 714 11	39 058 17
Net working capital	782 130 86	161 352 33
Net assets	997 722 36	176 680 55

VILLAGE OF BYRON
Shiawassee County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended February 29, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	80 500 00	85 700 00	84 164 06	(1 535 94)
Licenses and permits	5 800 00	4 200 00	4 465 96	265 96
State revenue sharing	64 870 00	62 130 00	62 121 40	(8 60)
Charges for services:				
Cemetery lots	3 800 00	7 000 00	8 400 00	1 400 00
Grave openings	5 000 00	6 150 00	8 330 00	2 180 00
Tax collection	1 100 00	1 200 00	1 227 87	27 87
Other	-	-	7 000 00	7 000 00
Fines and forfeits:				
Police fines	5 000 00	4 560 00	4 882 35	322 35
Interest	21 420 00	21 620 00	7 243 56	(14 376 44)
Miscellaneous	31 00	31 00	214 14	183 14
Total revenues	<u>187 521 00</u>	<u>192 591 00</u>	<u>188 049 34</u>	<u>(4 541 66)</u>
Expenditures:				
Legislative:				
Village Council	6 600 00	6 600 00	4 820 00	(1 780 00)
General government:				
Elections	850 00	1 055 00	1 052 15	(2 85)
Clerk	2 907 00	3 197 00	3 166 56	(30 44)
Treasurer	1 285 00	1 380 00	1 366 99	(13 01)
Building and grounds	56 700 00	62 904 00	52 786 47	(10 117 53)
Cemetery	23 220 00	27 570 00	14 782 64	(12 787 36)
Public safety:				
Police protection	46 700 00	55 200 00	54 872 73	(327 27)
Zoning	17 500 00	9 800 00	9 779 90	(20 10)
Public works:				
Department of Public Works	43 159 00	31 315 00	30 500 54	(814 46)
Street lighting	9 500 00	9 150 00	9 117 38	(32 62)
Sanitation	24 000 00	21 450 00	21 428 16	(21 84)
Other:				
Employee fringe benefits	9 500 00	11 500 00	11 442 20	(57 80)
Capital outlay	<u>1 000 00</u>	<u>6 870 00</u>	<u>6 479 00</u>	<u>(391 00)</u>
Total expenditures	<u>242 921 00</u>	<u>247 991 00</u>	<u>221 594 72</u>	<u>(26 396 28)</u>
Excess (deficiency) of revenues over expenditures	(55 400 00)	(55 400 00)	(33 545 38)	21 854 62
Fund balance, March 1	<u>55 400 00</u>	<u>55 400 00</u>	<u>177 541 66</u>	<u>122 141 66</u>
Fund Balance, February 29	<u>-</u>	<u>-</u>	<u>143 996 28</u>	<u>143 996 28</u>

VILLAGE OF BYRON
Shiawassee County, Michigan

BUDGETARY COMPARISON SCHEDULE – MAJOR STREET FUND
Year ended February 29, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
State revenue sharing	40 000 00	37 000 00	36 793 28	(206 72)
Interest	<u>3 300 00</u>	<u>4 500 00</u>	<u>4 473 95</u>	<u>(26 05)</u>
Total revenues	<u>43 300 00</u>	<u>41 500 00</u>	<u>41 267 23</u>	<u>(232 77)</u>
Expenditures:				
Public works:				
Highways and streets	<u>43 300 00</u>	<u>41 500 00</u>	<u>19 400 07</u>	<u>(22 099 93)</u>
Total expenditures	<u>43 300 00</u>	<u>41 500 00</u>	<u>19 400 07</u>	<u>(22 099 93)</u>
Excess of revenues over expenditures	-	-	21 867 16	21 867 16
Fund balance, March 1	<u>-</u>	<u>-</u>	<u>85 590 77</u>	<u>85 590 77</u>
Fund Balance, February 29	<u>-</u>	<u>-</u>	<u>107 457 93</u>	<u>107 457 93</u>

VILLAGE OF BYRON
Shiawassee County, Michigan

BUDGETARY COMPARISON SCHEDULE – LOCAL STREET FUND
Year ended February 29, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	20 200 00	21 450 00	21 459 39	9 39
State revenue sharing	13 000 00	11 900 00	11 907 88	7 88
Interest	<u>5 500 00</u>	<u>8 200 00</u>	<u>8 215 57</u>	<u>15 57</u>
Total revenues	<u>38 700 00</u>	<u>41 550 00</u>	<u>41 582 84</u>	<u>32 84</u>
Expenditures:				
Public works:				
Highways and streets	<u>38 700 00</u>	<u>41 550 00</u>	<u>13 207 39</u>	<u>(28 342 61)</u>
Total expenditures	<u>38 700 00</u>	<u>41 550 00</u>	<u>13 207 39</u>	<u>(28 342 61)</u>
Excess (deficiency) of revenues over expenditures	-	-	28 375 45	28 375 45
Fund balance, March 1	<u>-</u>	<u>-</u>	<u>164 817 47</u>	<u>164 817 47</u>
Fund Balance, February 29	<u>-</u>	<u>-</u>	<u>193 192 92</u>	<u>193 192 92</u>

VILLAGE OF BYRON
Shiawassee County, Michigan

BUDGETARY COMPARISON SCHEDULE – CEMETERY PERPETUAL CARE FUND
Year ended February 29, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Cemetery lots	1 500 00	1 500 00	2 800 00	1 300 00
Interest	<u>1 300 00</u>	<u>1 300 00</u>	<u>2 883 42</u>	<u>1 583 42</u>
Total revenues	<u>2 800 00</u>	<u>2 800 00</u>	<u>5 683 42</u>	<u>2 883 42</u>
Expenditures:				
General government:				
Cemetery	<u>17 220 00</u>	<u>17 220 00</u>	<u>-</u>	<u>(17 220 00)</u>
Total expenditures	<u>17 220 00</u>	<u>17 220 00</u>	<u>-</u>	<u>(17 220 00)</u>
Excess (deficiency) of revenues over expenditures	(14 420 00)	(14 420 00)	5 683 42	20 103 42
Fund balance, March 1	<u>14 420 00</u>	<u>14 420 00</u>	<u>59 745 62</u>	<u>45 325 62</u>
Fund Balance, February 29	<u>-</u>	<u>-</u>	<u>65 429 04</u>	<u>65 429 04</u>

VILLAGE OF BYRON
Shiawassee County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended February 29, 2008

Village Council:	
Fees and per diem	<u>4 820 00</u>
Elections:	
Wages	507 50
Supplies	<u>544 65</u>
	<u>1 052 15</u>
Clerk:	
Salary	1 992 60
Office supplies	824 44
Miscellaneous	<u>349 52</u>
	<u>3 166 56</u>
Treasurer:	
Salary	825 60
Miscellaneous	<u>541 39</u>
	<u>1 366 99</u>
Village hall and grounds:	
Wages	24 321 22
Hospitalization	24 019 04
Utilities	3 846 21
Contracted services	<u>600 00</u>
	<u>52 786 47</u>
Cemetery:	
Salaries and wages	10 679 79
Operating supplies	2 643 04
Insurance	500 00
Miscellaneous	<u>959 81</u>
	<u>14 782 64</u>
Police protection:	
Salaries and wages	36 117 66
Operating supplies	5 151 87
Professional services	3 629 00
Telephone	862 55
Gas and oil	5 177 47
Insurance	2 936 00
Miscellaneous	<u>998 18</u>
	<u>54 872 73</u>
Zoning:	
Contracted services	<u>9 779 90</u>
Department of Public Works:	
Wages	2 237 70
Operating supplies	8 508 37
Gas and oil	5 199 41
Telephone	894 43
Insurance	5 107 00
Repairs and maintenance	7 771 05
Printing and publishing	87 58
Miscellaneous	<u>695 00</u>
	<u>30 500 54</u>
Street lighting:	
Utilities	<u>9 117 38</u>

VILLAGE OF BYRON
Shiawassee County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended February 29, 2008

Sanitation:	
Contracted services	<u>21 428 16</u>
Employee fringe benefits:	
Unemployment	1 094 18
Social security	<u>10 348 02</u>
	<u>11 442 20</u>
Capital outlay	<u>6 479 00</u>
Total Expenditures	<u><u>221 594 72</u></u>

CAMPBELL, KUSTERER & CO., P.C.

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

March 25, 2008

To the Village Council
Village of Byron
Shiawassee County, Michigan

We have audited the financial statements of the Village of Byron for the year ended February 29, 2008. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Village of Byron in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Village Council
Village of Byron
Shiawassee County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were given to the Village Clerk and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

The Village's system of internal control is affected by the size of the staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Village cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Village Council Members understand these circumstances when performing their oversight responsibilities.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Village's financial statements and this communication of these matters does not affect our report on the Village's financial statements, dated February 29, 2008.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,


CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants